

CITY COUNCIL AGENDA ITEM COVER SHEET

Meeting Date: November 9, 2020

To: Honorable Mayor and Members of the City Council

From: Will Norris, Finance Dir. / Asst. City Manager

Subject: First Quarter Financial Performance Report

Background:

The First Quarter (Q1) Financial Report includes three months of financial data through 25% of the fiscal year. The attached report provides full-year estimates-to-close based on historical financial patterns, knowledge of upcoming expenditures, and actual spending and revenue received through September 30, 2020.

Discussion:

COVID-19 substantially and negatively impacted City revenues. The difference between pre- and post-pandemic forecasts show a revenue decline of \$1.7 million for FY2019-20 and FY2020-21 attributable to COVID-19. The City reacted in several ways. The most significant being a one-year pause to Urban Renewal division of tax, resulting in a projected General Fund revenue bump of \$560,000. This action also benefits overlapping taxing districts, including the County, Library, and Parks districts. The City received an allocation of Federal CARES Act dollars. However, this federal funding is limited to direct reimbursement for COVID-19 expenditures. 2/3rds of the City's CARES Act allocation was distributed as economic support to community partners. The remaining portion directly offset City COVID19 expenditures and did not help offset revenue losses.

Despite this extreme revenue shock, the City remains on stable operational footing due to cautious financial decisions over the last decade. As communicated in the FY2020-21 Budget Message, the City's financial position enables the organization to hold on major programmatic adjustments until the long-term financial impacts of COVID-19 come into focus.

General Fund Revenues

Property Taxes

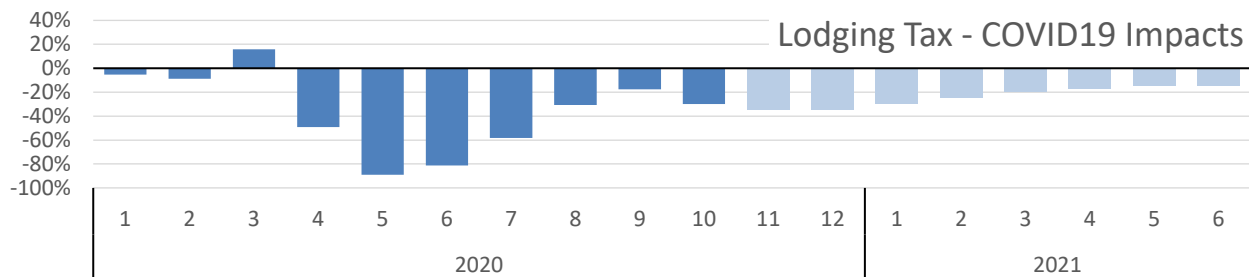
FY2020-21 property tax collection starts in November. Without actual collection data, the Q1 Forecast defaults to the budgeted amount. As noted above, the FY2020-21 property tax receipts include an estimated \$560,000 attributable to the pause in Urban Renewal division of tax for all three districts. Monies attributable to the Heights and Waterfront districts will not continue into future fiscal years. The impact from the impending closure of the Columbia Cascade District is dependent on whether the Urban Renewal Agency chooses to administer a partial collection in FY2021-22 to bring the district to its full maximum indebtedness.

Transient Revenue Tax

The largest dollar impacts from COVID-19 are in Transient Lodging Tax (TLT). The City saw a 90% TLT reduction in May, 2020 vs. May, 2019. Revenue declines steadily

lessened through the Fall, with September, 2020 tax returns being only 18% below September, 2019 tax returns. Initial October tax returns, associated with September stays, indicate the City may be posed for double dip as winter approaches and outdoor gorge activities slow. Alternatively, October's dip may be due to poor air quality from wildfires and not COVID19.

The Q1 Forecast assumes that TLT revenues will slightly worsen this winter and then slowly improve again in the Spring and Summer months. This forecast is modelled in the chart below. Dark blue months are actual figures and light blue months are Q1 Forecast assumptions. This forecast is subject to a high degree of uncertainty based on the trajectory of the COVID-19 pandemic.



Parking Meter Receipts & Municipal Court Revenue

The severity of parking meter and court revenue declines were a surprise and significant downward revision from the Adopted Budget. Meter receipts have remained roughly 50% below the prior year throughout the pandemic. Similarly, fewer traffic stops and ticketing for infractions are reducing Municipal Court revenue. Because each of these conditions have persisted from March through September, the forecast assumes continued softness through FY2020-21.

General Fund Expenses

Expenditures are largely trending within budgeted expectations. Under-spending noted for Fire, Police, and Parks are largely due to turnover, which replaces employees at the top of a pay scale with employees starting at the bottom of a pay scale, as well as several vacancies that have either been filled or soon will be.

The Q1 Forecast estimates that the General Fund Balance will decrease by approximately \$1.0 million. This is attributable to a \$736,601 PERS Side Account deposit and an estimated \$300,000 buydown of Fire/EMS compensated absence balances. Each payment reduces prior existing City liabilities and therefore is not an operating expense. A personal finance analogy is using savings to paydown debt.

The Q1 Forecast assumes that the City will not move forward with an additional \$250K locally funded economic development program because CARES Act dollars largely filled this need.

Other Major Revenues

COVID19 impacted both local and state gas receipts. State gas taxes are faring worse than local taxes, trending down year-over-year 23% (state) vs. 9% (local). It is possible that gas tax receipts will improve if the pandemic is substantially controlled in 2021. Conversely water revenues are up. The same phenomenon that had people flooding home improvement stores during the pandemic may have also increased landscaping projects and associated water use.

Staff Recommendation:

Receive and file quarterly financial report for the period ending September 30, 2020.

Attachments

Quarterly Financial Report for the period ending September 30, 2020

GENERAL FUND REVENUE SUMMARY, Through September (25% of Fiscal Year)							
Resources	Budget	Actual Through Sept. 2020	Year End Estimate	Year End Estimate Over / (Under) Budget	Percent of Budget Received thru Sept. 2020	Fiscal Year 2019-20 Revenue thru Sept. 2019	Year-End Actual
Taxes							
Current Property Tax	3,062,665	-	3,062,665	-	0%	-	2,399,334
Previously Levied Tax	44,453	33,076	71,212	26,759	74%	30,364	74,312
Transient Room Tax	1,269,563	354,828	1,253,435	(16,128)	28%	468,046	1,225,526
Local Marijuana Tax	135,481	43,702	129,383	(6,098)	32%	-	109,606
CET - Admin	10,500	907	2,895	(7,605)	9%	2,624	8,377
Licenses & Permits							
Franchise Fees	791,843	85,227	758,337	(33,506)	11%	87,477	777,172
Utility Fees	614,690	176,780	663,753	49,063	29%	170,498	601,771
Parking Meter Receipts	572,050	121,904	374,500	(197,550)	21%	207,997	533,758
All Other	140,238	46,185	134,055	(6,183)	33%	54,306	121,723
Fines & Forfeitures							
Parking Fines	162,108	47,025	140,889	(21,219)	29%	64,009	169,597
Municipal Court Revenue	252,975	55,669	148,157	(104,818)	22%	91,753	227,922
All Other	32,000	7,951	31,213	(787)	25%	7,599	24,844
Intergovernmental							
Fed. COVID19 Relief	-	136,256	202,241	202,241		-	97,392
All Other	341,211	74,037	347,031	5,820	22%	49,475	331,506
Charges for Services							
Ambulance Revenues	822,186	226,214	904,116	81,930	28%	276,976	856,369
GEMT	57,484	83,016	162,559	105,075		-	57,419
All Other	197,343	49,188	202,825	5,482	25%	44,818	211,985
Interest Earnings	81,681	6,239	24,955	(56,726)	8%	22,184	89,819
Misc. Revenues	111,410	40,508	62,381	(49,029)	36%	42,918	119,491
REVENUE TOTAL	8,699,881	1,588,711	8,676,601	(23,280)	18%	1,621,045	8,037,922

GENERAL FUND EXPENDITURE SUMMARY, through September (25% of Fiscal Year)							
Department	Budget	Actual Through Sept. 2020	Year End Estimate	Year End Estimate Over / (Under) Budget	Percent of Budget Expended thru Sept. 2020	Fiscal Year 2019-20 Expenses thru Sept. 2019	Year-End Actual
Fire / EMS	3,919,354	925,674	3,824,614	(94,740)	24%	910,265	3,657,674
Police	2,693,486	681,710	2,555,557	(137,929)	25%	676,311	2,439,863
Parks	584,489	115,615	483,648	(100,841)	20%	138,615	460,663
Planning	651,888	129,625	643,170	(8,718)	20%	127,039	531,337
Parking	533,013	123,431	486,584	(46,429)	23%	113,914	411,976
Engineering	166,676	40,168	153,326	(13,350)	24%	41,054	345,819
Municipal Court	142,872	29,766	126,830	(16,042)	21%	35,258	131,982
City Council	24,745	1,756	19,873	(4,872)	7%	2,475	9,836
<i>Sub-total Department Expenditures</i>	<i>8,716,523</i>	<i>2,047,745</i>	<i>8,293,601</i>	<i>(422,922)</i>	<i>23%</i>	<i>2,044,931</i>	<i>7,989,151</i>
Non-Departmental							
Personnel	-	-	-	-		-	1,169
Materials & Services	470,850	159,848	220,850	(250,000)	34%	58,001	277,186
Contingency	250,000	-	85,000	(165,000)	0%	-	-
One-time FY2020-21 Transactions							
PERS Side Account Deposit	754,595	736,601	736,601	(17,994)	98%	-	-
Fire/EMS Comp. Absences	300,000	-	300,000	-	0%	-	-
TOTAL	10,491,968	2,944,194	9,636,052	(855,916)	28%	2,102,932	8,267,505

FY2020/21 Beginning Bal.	3,544,477
Proj. FY2020/21 Change in Fund Bal.	(959,451)
Proj. FY2020/21 Ending Bal.	2,585,026

Pooled Cash & Investments (All Funds, Including URA)	
Sept. 2019	24,328,199
Sept. 2020	24,697,808

OTHER MAJOR REVENUE SOURCES SUMMARY, through September (25% of Fiscal Year)							
Revenue	Budget	Actual Through Sept. 2020	Year End Estimate	Year End Estimate Over / (Under) Budget	Percent of Budget Received thru Sept. 2020	Fiscal Year 2019-20 Revenues thru Sept. 2019	Year-End Actual
Gas Tax - Local	371,761	63,177	315,842	(55,919)	17%	71,043	345,955
Gas Tax - State	655,597	81,576	471,508	(184,089)	12%	143,499	609,535
Utility Charges							
Water	2,895,169	953,920	3,028,053	132,884	33%	886,190	2,775,020
Sewer	4,226,385	1,103,579	4,194,133	(32,252)	26%	1,063,141	4,021,543
Storm	562,070	141,847	563,866	1,796	25%	138,030	546,096